

SUBCOMMITTEE NO. 4

Agenda

Joseph Dunn, Chair
Dick Ackerman
Denise Moreno Ducheny



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Upon Adjournment of the
Committee on Banking, Commerce & International Trade
Room 3191

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Resources--Environmental Protection—Public Safety—Energy

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0250 Judiciary

The California Supreme Court and the Courts of Appeal exercise the judicial power of the state at the appellate level. The Judicial Council of California, including the Administrative Office of the Courts (AOC), administers the state's judicial system. There are 105 Appellate Court justices and 7 Supreme Court justices.

Budget Request. The Judicial budget includes support for the Supreme Court, the Courts of Appeal, the Judicial Council, and the California Habeas Resource Center. The budget proposes total appropriations of \$344.8 million for support of these judicial functions in 2003-04. This is a decrease of \$484,000, or less than 1 percent, below estimated current-year expenditures. Total General Fund expenditures are proposed at \$289.4 million, an increase of \$345,000, or 0.1 percent above current-year expenditures. The table below shows that the proposal includes a one-time unallocated reduction of \$8.5 million in the current year and a one-time unallocated reduction of \$17.7 million in the budget year. Of the total expenditures proposed, \$38 million is for the Supreme Court, \$172 million is for the operation of the Courts of Appeal, \$142 million is for the Judicial Council, and \$10.3 million is for the California Habeas Corpus Resource Center. These total do not reflect the unallocated reductions.

| Judiciary Program Expenditures | | | | | |
|---------------------------------------|--|------------------|------------------|---------------|-----------------------|
| Program | <i>Expenditures (dollars in thousands)</i> | | | | <i>Percent Change</i> |
| | 2001-02 | 2002-03 | 2003-04 | Change | |
| Supreme Court | \$34,009 | \$36,262 | \$38,000 | \$1,738 | 4.8% |
| Courts of Appeal | 153,625 | 166,797 | 171,978 | 5,181 | 3.1% |
| Judicial Council | 142,958 | 140,547 | 142,205 | 1,658 | 1.2% |
| CHRC | 9,241 | 10,222 | 10,361 | 139 | 1.4% |
| <i>Unallocated Reduction</i> | 0 | -8,500 | -17,700 | | |
| TOTALS, Programs | \$339,833 | \$345,328 | \$344,844 | -\$484 | -0.1% |
| Authorized Positions | 1,363 | 1,543 | 1,546 | 3 | 0.2% |

Budget Issues

Unallocated Reductions.

Previous Reductions. The Budget Act of 2002 previously included a total of \$6.7 million in one-time reductions. Of that amount, \$1 million was related to workload reductions for the Court Appointed Counsel Program in the Supreme Court, \$2.9 million was related to maintaining vacant positions in the courts of appeal, and \$2.8 million was for an unallocated reduction of 0.5 percent across the programs within the judiciary budget. The AOC indicates that it is achieving the savings for the unallocated reduction through holding positions vacant, delaying employee

promotions and reclassifications, restricting travel, reducing temporary help, deferring contracts, and reducing the number of Judicial Council and Advisory Committee hearings.

Mid-Year Reduction. As part of the mid-year revision, the budget assumes a one-time unallocated reduction of \$8.5 million, or 2.9 percent of the total General Fund for the Judiciary. This amount has been approved by the Legislature. The AOC indicates that it is achieving these reductions through additional savings to the Court Appointed Counsel program through judicial salary savings, and an additional 1 percent reduction to programs across the judiciary.

Budget Request. The budget proposes a one-time unallocated reduction of \$17.7 million, or 4.9 percent of the total General Fund budget. The AOC indicates that it will achieve these reductions by reducing state operations by \$13.6 million and local assistance by \$4.1 million. The state operations reductions will likely come from the Court Appointed Counsel program, judicial salary savings, and a general 3 percent reduction. The local assistance reductions are likely to come from the portions of the following local assistance programs: the Equal Access Program, the Court Appointed Special Advocate (CASA) program, drug courts, the Model Self-Help program, and the Family Law Information Centers.

What impacts will the proposed local assistance reductions have on access to the courts?

Appellate Court Filing Fee Increase

Budget Request. The administration proposes trailer bill legislation to increase the appellate filing fee from \$265 to \$630, effective July 1, 2003. This increase would result in \$2.1 million in revenues to the General Fund.

Staff Comments. This proposal would more than double the current fee and would make California's appellate filing fee the highest in the country. Staff notes that in some other states, there are other costs, such as transcript costs, that are charged in addition to a filing fee. No such fees are charged in California. Staff also notes that the appellate courts would still have the ability to waive fees in certain cases.

What is the expected impact of this proposal?

Does the Subcommittee wish to adopt the proposed trailer bill language?

Trial Court Facilities Act

Background. Chapter 1082, Statutes of 2002 (SB 1732, Escutia), the Trial Court Facilities Act of 2002, provides for transfer of trial court facilities from counties to the state and a funding mechanism for their operation, maintenance, and renovation, and construction of new facilities

According to the council, assumption of responsibility for funding the operation and maintenance of trial court facilities will cost the state about \$270 million a year. The LAO notes that this estimate does not take into account cost escalation due to inflation and the construction of new court facilities. In addition, the council estimates the cost of constructing new trial court facilities is up to \$2.3 billion over the next five years (not counting cost escalation due to inflation).

Issue. The Trial Court Facilities Act provides for specific court-imposed fees and fines to be imposed in court actions and dedicated to the cost of renovation and construction of court facilities. The LAO notes that these fees and fines, however, are specific dollar amounts and that there is no provision for their escalation to compensate for inflation. Also, some of the fees specified in the act are imposed for a limited time only. In the event revenue generated from these fees and fines is inadequate to meet the demand for trial court facilities (as determined by the Judicial Council), the act requires the state to provide additional funding to make up for any deficiencies. The council estimates over \$1 billion will be required from the state over the next five years. The LAO suggests that this will certainly have a significant impact on the General Fund in the form of direct appropriations and debt service on General Fund-backed bonds. The LAO notes that in the longer run, it was hoped that the fee revenues provided by the act would cover the ongoing trial court facilities costs. However, the LAO indicates that it is likely to be difficult for the fixed fees and fines specified in the act to keep up with rising out-year costs.

Analyst's Recommendation. To assist the Legislature in its long-term capital planning, the LAO recommends that the Legislature adopt supplemental report language directing the Judicial Council to prepare a projection of the long-term funding needs of the court facilities program. If fees and fines, and county MOE payments are insufficient as a permanent funding source, the LAO further recommends that the Legislature direct the council to prepare a long-term estimate of the revenue deficiency and identify specific options for the Legislature to consider to make up the deficit.

Staff Comments. The AOC indicates that all the information that the LAO is asking for will already be provided in the annual statewide infrastructure report so this additional workload is unnecessary.

Does the Subcommittee wish to adopt the LAO proposed Supplemental Report Language?

Management of the Court Construction Program

Background. The Trial Court Facilities Act provides the council with the authority and responsibility to implement the design and construction of court facility projects, except as

delegated to others. The council has indicated it wishes to hire staff to do this work rather than delegate it to the Department of General Services (DGS).

Issue. The LAO notes that if the council should undertake this responsibility, it would represent an unprecedented departure from the judicial branch's core function, and raises questions about the cost-effectiveness of the judicial council greatly expanding its staff to manage a program of a type which historically has been managed by the executive branch, and with which the council has no experience. The LAO believes that the Judicial Council may have serious difficulties in: (1) hiring several hundred experienced engineers, architects, and support staff and (2) developing the organization, processes, standards and expertise to manage a major construction program. The LAO notes that DGS has the capability to shift qualified technical staff to the trial court facilities program quickly and without extensive new hiring. Also, much of DGS's professional staff is already geographically dispersed around the state, which would facilitate dealing with court facilities in all of the 58 counties.

Analyst's Recommendation. Given these issues, the LAO believes that the Legislature needs to be informed of how the administration proposes to deal with the management of the courts' construction program. The LAO recommends that the Departments of Finance and General Services, and the Judicial Council, report at budget hearings on how this function could most efficiently be performed.

Staff Comments. The DOF argues that the Legislature has already determined that the courts should manage their own program in SB 1732 (not DGS), and that other departments have the same ability such as the Department of Corrections and the Department of Parks & Recreation.

What additional resources will be necessary for the AOC to implement this function?

Court Facility Guidelines

Analyst's Recommendation. The Judicial Council staff addressed the issue of court facility guidelines and recommended functional space and utilization standards for use in developing trial court facilities. The council used these guidelines to develop its estimates of the current and future court facilities needs. The LAO believes that this is an appropriate approach to estimating facility needs. The LAO recommends, however, that facility guidelines developed by any state agency be reviewed and validated by an outside agency to assure they are cost-effective and consistent with other state standards. Accordingly, the LAO recommends that the Legislature adopt supplemental report language directing DGS to review the court facility guidelines developed by the council to assure that they are reasonable and cost-effective.

Staff Comments. The DOF argues that DGS has already reviewed the facility guidelines as they were part of the task force that developed them. Further, the DOF indicates that all guidelines, when appropriate, are based on the statewide guidelines that the Administration and the Legislature have agreed on in the State Administration Manual (SAM).

Does the Subcommittee wish to adopt Supplemental Report Language?

0450 State Trial Court Funding

The Trial Court Funding item provides state funds for support of the state's local trial courts. Since the passage of Proposition 220 on the June 1998 ballot, which allowed for the unification of the superior and municipal courts in a county, the court systems in all 58 counties have unified. Chapter 850, Statutes of 1997, enacted the Lockyer-Isenberg Trial Court Funding Act of 1997 to provide a stable funding source for the trial courts. Beginning with the 1997-98 fiscal year, consolidation of the costs of operation of the trial courts was implemented at the state level. This implementation capped the counties' general purpose revenue contributions to trial court costs at a revised 1994-95 level. The county contributions become part of the Trial Court Trust Fund, which supports all trial court operations. Fine and penalty revenue collected by each county is retained, and each county makes quarterly payments to the Trial Court Trust Fund equal to the revenue received by the state General Fund in 1994-95.

Budget Request. The proposed total budget for the state's trial courts is \$2.2 billion. This amount is a decrease of \$5.2 million, or 0.2 percent, from the current year. Total General Fund support would decrease by \$301.3 million from \$1.1 billion to \$791 million. The major factor for the decrease is the proposed \$300 million realignment of court security. This issue is discussed further below.

The table below shows proposed expenditures in the trial courts in the current and budget years.

| Trial Court Funding -- Program Expenditures | | | | | |
|---|-------------------------------------|--------------------|--------------------|-----------------|----------------|
| Program | Expenditures (dollars in thousands) | | | | Percent Change |
| | 2001-02 | 2002-03 | 2003-04 | Change | |
| Trial Court Operations | \$1,792,680 | \$1,946,370 | \$2,004,764 | \$58,394 | 3.0% |
| Salaries of Superior Court Judges | 204,440 | 218,624 | 226,601 | 7,977 | 3.6% |
| Assigned Judges Program | 20,062 | 20,600 | 20,640 | 40 | 0.2% |
| Court Interpreters | 60,500 | 59,674 | 68,036 | 8,362 | 14.0% |
| <i>Unallocated Reduction</i> | | -36,000 | -116,000 | | |
| TOTALS, Trial Court Funding | \$2,077,682 | \$2,209,268 | \$2,204,041 | -\$5,227 | -0.2% |

Various Increases in the Budget Proposal

- **Court Staff Retirement.** The budget proposes \$20 million from the General Fund to pay for increased court staff retirement costs in 23 court systems.
- **Trial Court Health Benefit Increase.** The budget proposes an increase of \$14.3 million to fund increased health benefit costs for trial court employees.
- **Trial Court Interpreter Employment & Labor Relations Act.** The budget proposes \$3.9 million from the General Fund to implement Chapter 1047, Statutes of 2002 (SB 371, Escutia), which requires the trial courts to employ spoken language interpreters as court employees rather than independent contractors on or after July 2003.
- **Court Interpreter Workload Growth.** The budget proposes an increase of \$4.5 million to address projected workload growth and cost increases in the Court Interpreter Program.

Budget Issues

Unallocated Reductions

Previous Reductions. The Budget Act of 2002 included one-time unallocated reductions for the trial courts totaling \$148 million. The AOC indicates that the trial courts are achieving these reductions through cost reduction plans that include holding positions vacant, implementing hiring freezes, reducing temporary help, work furloughs, reducing consultant services expenditures, reduced hours of operation for the clerk's office, and delaying equipment and office supply purchases.

Mid Year Reductions. The budget assumes a one-time unallocated reduction of \$36 million, for the current year, or a 4.3 percent reduction from total General Fund support of \$1.2 billion. The Judicial Council has approved the following trial court budget reduction plan to address the mid-year reductions:

- Reversion of \$6.1 million from the Modernization Fund (affecting pilot programs, technical assistance, and training).
- Reversion of \$4.2 million from the Improvement Fund (affecting technology projects, and specialty programs).
- An unallocated reduction of \$21.6 million, representing a 1.2 percent reduction to the budgets for individual trial courts.
- Reduction of \$4 million related to salary savings for judicial positions.
- Reduction of \$180,000 for the Assigned Judges Program.)

Budget Request. The budget proposes an unallocated reduction of \$116 million for the trial courts in the budget year. The Judicial Council has approved the following plan for achieving the proposed reductions:

- Reversion of \$5.1 million from the Modernization Fund (affecting pilot programs, technical assistance, and training).
- Reversion of \$12 million from the Improvement Fund (affecting technology projects, and specialty programs).
- An unallocated reduction of \$87 million, representing a 5 percent reduction to the budgets for individual trial courts.
- Reduction of \$10 million related to salary savings for judicial positions.
- Reduction of \$1.9 million from the Assigned Judges Program.

Analyst's Recommendation. The LAO recommends that the AOC report at budget hearings on the potential impact of the budget year unallocated reductions, its plan for allocating the reductions, and action that can be taken to minimize the negative impact on access to the courts.

Staff Comments. Staff notes that there are a number of fee-related proposals and reductions requiring statutory changes in the Trial Court Funding budget, which are discussed below. To the extent that these statutory changes are not approved, the unallocated reduction to the trial courts could increase.

***What actions are being taken to minimize the negative impact on access to the courts?
Does the Subcommittee wish to approve these reductions?***

Negotiated Salary Increases for Court Security Staff

Budget Request. The budget proposes an increase of \$32.6 million for ongoing courthouse security costs. This proposal will fund increases in the contractual costs of negotiated salary increases (NSIs) for security personnel for the budget year and for previously unfunded NSIs (\$12.6 million), increased retirement contributions (\$8.8 million), and increased benefit costs (\$10.8 million).

Staff Comments. Staff notes that this proposal does not provide additional security for the courts, but allows the courts to pay for increases in the contracts for current security personnel. The AOC notes that if this proposal is not approved, courts will have to reduce the level of security provided or redirect funds from other court operations. Last year, the Legislature approved an increase of \$13.4 million to the budget of the trial courts for this same purpose.

Does the Subcommittee wish to approve this augmentation?

Undesignated Fees

Budget Request. The budget proposes trailer bill language to transfer \$31 million in undesignated fee revenue from the counties to the courts, and reduces the General Fund allocation to the Trial Court Trust Fund by the same amount.

Background. Chapter 850, Statutes of 1997 shifted primary fiscal responsibility for support of the trial courts from the counties to the state. Chapter 850 and other recent trial court funding legislation made changes in the distribution and amount of court-related fees. An important part of the financing mechanism for the state's new fiscal responsibility for the trial courts was the requirement that local governments transfer a variety of court-related fees collected by trial courts and local governments to the state's trust fund.

However, Chapter 850 did not designate which entity—the state or local governments—would retain a number of court-related fees. Some of these undesignated court fees include fees paid for trial postponement, change of venue, filing for Writ of Execution, and civil assessment fees.

Bureau of State Audits Report. In response to an issue raised in the LAO in 2001, the Joint Legislative Audit Committee requested that the Bureau of State Audits (BSA) review a sample of superior courts to determine how much revenue is undesignated, which entities collect these revenues, and how the courts distribute them. In February 2002, the BSA reported that the superior courts' accounting and collection procedures impeded a precise and comprehensive calculation of undesignated fee revenues. It recommended that the AOC direct each superior court to identify the entity in its jurisdiction that incurs the cost of providing the service for which the fee is paid and distribute these fees back accordingly.

Judicial Council Survey. In mid 2002, Judicial Council surveyed the trial courts to determine the entity providing the services related to the undesignated fees, and the amount of revenue generated by these fees. Based on the survey results, Judicial Council determined that 20 of the 41 undesignated fees are related to services for which the courts uniformly incur the cost. Of the remaining 21 undesignated fees, 20 are assessed on services provided by either the courts or the county. (The 41st fee is the small claims fee that is being addressed in separate legislation.) Accordingly, the budget proposes to transfer the revenue generated by the 20 undesignated fees, where the courts clearly incur the cost of providing the service, into the Trial Court Trust Fund. In addition, the proposal requires that the revenue generated from the remaining 20 fees be retained by either the county or the court, whomever incurs the cost of providing the service.

Analyst's Issue. The LAO agrees in concept with the proposal to transfer undesignated revenue from the counties to the courts, particularly where the court bears the cost of providing the service. However, the LAO indicates that there is a high level of uncertainty in the estimate of \$31 million. To the extent the revenue from the undesignated fees does not materialize, the courts will have to either reduce their budgets or the General Fund will have to backfill the shortfall. The LAO notes two factors related to the uncertainty. First, because a number of courts were unable to report their revenue from undesignated fees, the AOC was forced to estimate the amount generated by those courts. Second, the LOA notes that some courts have informal agreements with counties regarding the use of undesignated fee revenue..

Analyst's Recommendation. The , LAO recommends that Judicial Council report at budget hearings on the potential impact to the courts if the revenue falls short of the estimated \$31 million.

Staff Comments. The AOC estimates that the \$31 million is funding which currently goes to the county general fund. The total amount collected from these undesignated fees is much higher, but some amount is already shared between the local trial courts and the counties based on locally negotiated agreements. The AOC has indicated that generally fees should be retained by the entity that performs the function.

CSAC opposes the budget proposal and notes that the primary goal of Trial Court Funding was to provide county fiscal relief by (1) shifting the responsibility for support of the trial courts away from counties, and (2) prohibiting any increase in county responsibility by future revenue shifts. CSAC argues that by proposing to shift the revenue from these undesignated fees, the administration appears to be failing to honor the original trial court funding agreement.

Staff notes that the AOC and CSAC are currently negotiating to see if they can come to an agreement over a way to divide these revenues.

Electronic Reporting

Background. Current law requires the use of stenographers to report and transcribe the official record of most court proceedings. The courts currently employ approximately 1,866 court reporters (1,623 are court employees and the remainder are contract employees). Typically, the court reporter is the sole owner of all the equipment necessary to perform his/her duties, including the stenotype machine, computer aided software for transcription, and all the elements involved in producing the transcript. Also, for the most part, the court reporter transcribes the record on his/her own time, outside of the eight hour work day. For these reasons, the transcripts are "owned" by the court reporter and must be purchased by the court. The LAO reports that the average cost per page for a transcription is \$2.34 for the first copy and \$0.41 for copies. In 2001-02, the state spent approximately \$173 million for court reporter salaries, and \$25 million to purchase court transcripts.

Budget Request. The budget proposes trailer bill language that would give the courts the authority to use electronic reporting. The proposal assumes savings of \$36.5 million in 2003-04, including \$31 million from allowing courts the flexibility to use audio electronic reporting in courtrooms, and \$5.5 million as a result of transferring ownership of the court record from the stenographic reporter to the courts.

Concerns Raised By The Analyst. While the LAO believes that implementation of electronic reporting could result in savings, the LAO is uncertain as to whether the proposal would result in savings in the budget year due to a lack of details as to how the proposal would be implemented. Specifically, the LAO notes that the proposal includes no details regarding the type and amount of equipment and staff needed to take over production and management of the transcripts, the cost of staff to monitor the electronic reporting equipment, or the cost of transcribing electronic reporting.

Analyst's Recommendation. The LAO recommends that the AOC advise the Legislature regarding the various implementation issues, including the amount of staff needed to implement and monitor the audio equipment, transcribe the tapes, and manage the transcripts.

Staff Comments. Staff notes that the savings do not include administrative costs that the courts will incur to maintain audio equipment, transcribe tapes, and manage transcripts. Staff believes that should the proposal be approved, the full savings estimate would not likely be achieved in the budget year.

The Subcommittee has been contacted by the Court Reporters Association, the California Independent Public Employees Legislative Council (CIPELC), and Service Employees International Union (SEIU) opposing this proposal.

Does the Subcommittee wish to approve the proposed trailer bill language?

Enforcement of the Fee for Verbatim Record Keeping in Civil Matters.

Government Code Section 68086 requires payment of a fee by parties in civil cases when verbatim reporting services are provided by the court, including matters that last one-half day or less. The Legislature approved this statute in order to recoup the costs for verbatim recording.

Rules 890 through 892 of the California Rules of court set forth the guidelines for implementing Government Code Section 68086. Rule 892 (e) exempts matters lasting one hour or less from collection of this fee.

Staff Comments. The Court Reporters Association estimates that this fee is undercollected. Based on the number of courtrooms statewide and the average user fee for court reporters, the association estimates that \$40 million in court reporter fees may be undercollected statewide. The AOC estimates that this number is between \$4 million and \$7 million.

Is the fee payment being imposed and collected? How much is being collected statewide?

Court Security Flexibility Proposal

Budget Request. The budget proposes trailer bill language that seeks to increase cost efficiency in the provision of court security by allowing courts to enter into contracts for court security based upon a competitive bid process. The proposal would allow the courts to contract with local sheriffs departments, local police departments, or the CHP for court security services. The budget assumes General Fund savings of \$22 million in 2003-04 because of this increased flexibility.

Analyst's Recommendation. The LAO recommends that the Legislature amend the proposed trailer bill language to (1) require courts to contract for court security on a competitive basis, and (2) allow courts to contract with local law enforcement, the CHP, as well as private security. This would give the state a greater ability to contain court costs, and would likely result in greater savings in the budget year and beyond.

The LAO has noted that court security costs have grown rapidly in the last few years, from \$263 million in 1999-00 to a projected \$356 million in 2003-04.

Staff Comments. The Subcommittee has received information from the State Sheriffs' Association opposing the trailer bill language. The AOC indicates that it is having discussions with the Sheriffs' Association regarding options for reducing court security expenditures without compromising public safety.

Do other options exist for reducing court security expenditures without compromising public safety?

Does the Subcommittee wish to adopt this reduction and the proposed trailer bill language?

Security Fee Increase

Budget Request. The budget proposes trailer bill language to establish a new court security fee of \$20. This new \$20 fee will be levied on civil filings as well as criminal fines. The DOF estimates that the court security fee will generate \$34 million in 2003-04. This funding would be deposited into the Trial Court Trust Fund. A corresponding amount of the General Fund appropriation into the Trial Court Trust Fund has been reduced.

Issue. The LAO has raised concerns, noting that (1) not all fee payers would be beneficiaries of court security services, (2) the new fee may reduce civil court access for some, and (3) the new fee may put other state and local programs at risk.

Analyst's Recommendation. The LAO recommends that the Judicial Council report at the time of budget hearings on how the court security fee will be implemented, and on the potential impact the increase will likely have on access to the civil courts and other state and local programs.

Staff Comments. The LAO has noted that court security costs have grown rapidly in the last few years, from \$263 million in 1999-00 to a projected \$356 million in 2003-04. Staff notes that if this fee proposal is not adopted, it would result in an additional reduction of \$43 million to the trial courts.

What impacts will this fee have on access to civil courts and on revenues into other state and local programs?

Does the Subcommittee wish to adopt the proposed trailer bill language?

Court Security Realignment

Budget Request. As part of the administration's realignment proposal, the budget proposes to reduce funding from the General Fund to the Trial Court Trust Fund by \$300 million, and to transfer \$300 million in new revenues dedicated for providing funding for court security.

Analyst's Recommendation. The LAO notes that that this proposal does not constitutes program realignment -- Trial Court Funding would remain a state program, and program responsibility and control is not being realigned from one level of government to another. Rather, the proposal would simply substitute a new revenue source (proceeds from a 1 percent increase in sales tax) for the current General Fund support for trial court security. In doing so, the LAO believes that the proposal blurs the lines of responsibility for Trial Court Funding and runs counter to the direction in which the Legislature was moving this program. The LAO recommends that the Legislature reject this aspect of the administration's realignment proposal.

Trial Motion Fee

Budget Request. The budget proposes trailer bill language to increase the fee for all trial court motions (excluding motions for summary judgment) by \$10, from \$23 to \$33. This proposed increase is estimated to produce \$1.2 million in additional revenues in the Trial Court Trust Fund. The budget reduces the General Fund appropriation to the Trial Court Trust Fund by a corresponding amount.

Does the Subcommittee wish to adopt this trailer bill language?

Increased Charges for County-Provided Services and Benefits

Last year, the Legislature approved an increase of \$14.4 million to pay for increases in the costs of providing for county provided services and benefits, including workers' compensation insurance and benefit adjustments, janitorial services, communications, and auditor/controller services.

Staff Comments. The AOC has estimated statewide cost increases of \$6.7 million for these charges. The proposed budget contains no proposal to fund increased charges.

What is the impact of not funding these estimated increases?

0280 Commission on Judicial Performance

The Commission on Judicial Performance investigates and adjudicates complaints against judges. A constitutional amendment, Proposition 221, was passed by the voters and became effective June 3, 1998. Proposition 221 placed all California court commissioners and referees under the commission's discretionary jurisdiction. This jurisdiction was previously vested exclusively in the presiding judges.

Budget Request. The budget proposes total expenditures of \$3.1 million from the General Fund, a decrease of \$1 million, or 25 percent from current year expenditures. The commission has a total of 27 positions.

Commission Workload. In 2001, 835 complaints about active judges were considered for the first time. The 835 complaints named a total of 781 different judges and covered a wide array of grievances. In 2001, the commission also received 112 complaints about subordinate judicial officers. In 2002, the commission 918 complaints about active judges were considered, and 128 complaints about subordinate judicial officers.

Commission Actions. In 2001, the commission removed one judge from office and issued two public censures, five private admonishments, three public disciplinary actions, and 19 advisory letters. In 2002, the commission issued four public censures, one public admonishment, six private admonishments, five public disciplinary actions, and 17 advisory letters. Additionally, the commission issued one order of removal of a judge that is pending.

Staff Comments. The CJP indicates that the proposed 25 percent reduction would have a significant impact on its mission.

What is the anticipated impact of this reduction on the operations of the commission?

0390 Judges' Retirement System

The Judges' Retirement System (JRS I) provides retirement benefit funding for judges of the Supreme Court, Courts of Appeal, Superior and Municipal Courts. Retirement benefits are based on age, years of service, compensation of active judges, and eligibility as determined by specific sections of the Judge's Retirement Law. The JRS I is funded by the Judge's Retirement Fund, which receives revenue from the General Fund and certain filing fees, as well as employee contributions equal to 8 percent of the judges' salaries.

Chapter 879 of the Statutes of 1994 established the Judges' Retirement System II (JRS II). Unlike its predecessor, JRS II is designed to be fully funded from employer and employee contributions on a prospective basis. The major differences in JRS II include increased retirement age and a cap of 3 percent annually for COLAs for retirement benefits. All judges elevated to the bench on or after November 9, 1994, are required to participate in JRS II. There are currently 1,610 authorized judges and justices in the State of California. The majority of these judges participate in the JRS I plan.

Budget Request. For JRS I, the budget includes \$15 million from judges' contributions, \$3 million from civil fees, and \$113 million from the General Fund. The General Fund portion is made up of \$15 million, equivalent to 8 percent of judges' salaries, \$600,000 for PERS administrative costs, and the amount necessary to cover JRS I payments (estimated at \$98 million). JRS I will pay a projected \$121 million in benefits to 1,546 annuitants in the budget year.

Analyst's Recommendation. The LAO recommends that the appropriation to JRS I be reduced by \$10 million to help address the General Fund shortfall. The LAO indicates that this action would reduce the reserve from approximately two months' worth of pension payments to one month.

What is the impact of reducing the reserve?